

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION

Call to Order: By **CHAIRMAN JOHN BRUEGGEMAN**, on January 20, 2003
at 8 A.M., in Room 317-B Capitol.

ROLL CALL

Members Present:

Rep. John Brueggeman, Chairman (R)
Sen. Rick Laible, Vice Chairman (R)
Sen. Gregory D. Barkus (R)
Sen. Mike Cooney (D)
Rep. Monica Lindeen (D)
Rep. John Sinrud (R)

Members Excused: None.

Members Absent: None.

Staff Present: Matt Bugni, OBPP
Greg DeWitt, Legislative Branch
Amy Sassano, OBPP
Misty Shea, Committee Secretary
Lynn Zanto, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed. Tape
stamps indicate information that is found below.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Department of Administration
review, 1/20/2003
Executive Action: None

{Tape: 1; Side: A; Approx. Time Counter: 1 - 10}

Greg DeWitt, LFD, referring to Page A-166 of the Budget Analysis book, informed the committee that the indirect cost pool adjustments are commonly seen throughout the agency, and he explained what they do.

CHAIRMAN BRUEGGEMAN asked DOA Deputy Director Steve Bender where they are at with regard to Mr. DeWitt's discussion on shifting funds. **Mr. Bender** replied that the DOA, as far as indirect costs go, was at their limit.

SEN. COONEY and **Greg DeWitt, LFD**, discussed how the Office of the Appellate Defender is administratively attached to the DOA.

CHAIRMAN BRUEGGEMAN asked if the agency had any comments at this point with respect to the overview. **Mr. Bender** made it known for the record that the DOA did not explicitly raise rates due to the Decision Package (DP); they were faced with the dilemma of cutting rates or saving General Fund, and this was determined to be the most strategic savings plan. **SEN. BARKUS** and **REP. SINRUD** had questions. **Mr. Bender** further clarified his statements and spoke on fees and services.

{Tape: 1; Side: A; Approx. Time Counter: 10 - 30}

Greg DeWitt, LFD, referring to the Administrative and Financial Services Division Page A-173, explained how the program is funded to help eliminate confusion. He had a related 11-page handout that he walked the committee through as well.

EXHIBIT (jgh11a01)

Mr. DeWitt let the committee know that they would approve DPs for HB 2 items, and they would individually go through internal service funds and approve rates. He then referred them to Page A-174 of the Budget Analysis book to show his suggested savings to the General Fund.

SEN. COONEY and **Mr. Bender** discussed the option of charging a fee to telemarketers and the problems involved. **SEN. LAIBLE** asked what happens with the fines now. **Mr. Bender** replied that if they are telemarketing ones, they go to the DOA state special account. He then outlined for the Senator other scenarios dependant on settlement language. **SEN. LAIBLE** asked **Mr. Bender** to discuss the funding setup, cash balance, and distribution of funds. **Mr.**

Bender did so and explained that the account is declining due to the fiscal year 2002 Governor's reductions, where they had to spend to fund the consumer protection office. **SEN. BARKUS** asked **Mr. Bender** to further explain how fines fund certain budget items, fees collected, and case circumstances. **SEN. COONEY** and **Mr. Bender** discussed HB 126 and its fiscal note.

{Tape: 1; Side: A; Approx. Time Counter: 25 - 30}

CHAIRMAN BRUEGGEMAN initiated the presentation of DP 301. **Cathi Muri, Administrator, Administrative and Financial Services Division**, explained the rent increase (Reference Page A-175 of the Budget Analysis book) and **Steve Bender** went over DP 306 and provided a handout.

EXHIBIT(jgh11a02)

{Tape: 1; Side: B; Approx. Time Counter: 2 - 12.5}

Steve Bender, SEN. COONEY, and **SEN. BARKUS** discussed the alternatives to funding the burial preservation board and the issues involved. **REP. SINRUD** addressed how, prior to an act passed last session, this has been a non-issue for two years. **SEN. LAIBLE** relayed comments about possible federal match co-pay, and the subject of returning tribal artifacts. **Mr. Bender** stated that the DOA has not looked at these options but is open to them. He informed the committee that the DOA has had to reduce elsewhere to request this money. **SEN. LAIBLE** clarified that even so, the DOA is still inside their guidelines (both the 2000 and 2003 base). **Mr. Bender** briefly spoke on DP 307 which asks for an FTE increase for consumer protection.

{Tape: 1; Side: B; Approx. Time Counter: 12.5 - 24.5}

Greg DeWitt, LFD, referenced a prepared sheet(Exhibit 5 of January 17,2003) that takes the committee through the actions that happened on the first day of the session. He explained to the committee how to read it and answered their questions. **SEN. LAIBLE** asked **Mr. Bender** to comment on the restructuring. **Mr. Bender** in his own words, provided a simpler handout to show the same thing.

EXHIBIT(jgh11a03)

SEN. BARKUS expressed his concern with reducing some budgets and shifting charges to other agencies. **CHAIRMAN BRUEGGEMAN** commented that in doing so, the cost is passed off to those with

state special and federal funds with the end result being a net decrease to the General Fund. **Matt Bugni, OBPP**, spoke up to clarify the issue with the rates the two members were discussing. He said that the DOA was not allowed to have any increases to cover General Fund reductions as the fees were set before the agency met their target.

{Tape: 1; Side: B; Approx. Time Counter: 24.5 - 32}

The committee decided to skip over indirect costs(DP 309). **Cathi Muri** returned to explain DP 310, DP 303, DP 311, DP 315, and DP 317 (Reference Pages A-175-177 of the Budget Analysis book). **Greg DeWitt, LFD**, stated that both he and the department have suggested language on DP 317 and this was discussed by **Mr. Bender**.

EXHIBIT (jgh11a04)

{Tape: 2; Side: A; Approx. Time Counter: 1 - 21}

Steve Bender continued with an explanation of the DOA-recommended language and answered questions pertaining to the Consumer Protection Council. **Director Darkenwald** spoke and told the committee that Cort Jensen, Attorney from the Council, would get with them and tell exactly how they work.

Greg DeWitt, LFD, informed the members that they would now be going into the business portion of the Administrative and Financial Services Division, which contains internal service funds, and he explained how they would proceed with them. **Mr. DeWitt, REP. SINRUD**, and **SEN. LAIBLE** discussed the operating chart on Page A-179 of the Budget Analysis book for their understanding. **Mr. DeWitt** went over the Network Support Unit (Page A-182). **REP. SINRUD** asked **Ms. Muri** to clarify handling of consumer affairs and legal services. She answered by explaining the funding mechanism. **Mr. DeWitt** explained the Warrant Writer Program within DOA, the rates they are requesting, and the Human Resource Unit (Reference Page A-184-188). He let the committee know that they do not approve enterprise fund rates such as for the Audit Review Program.

SEN. BARKUS asked if the state has explored the possibility of an electronic bill-pay service. **Director Darkenwald** stated that they had and **Cathi Muri** said that they are exploring it now, but postage cost is a limiting factor. She gave an example of what DPHHS is doing for their Medicaid providers, and outlined the difficulties DOA has encountered with entertaining similar

efforts, though it is a priority. **SEN. BARKUS** further commented on what he knows about the process and encouraged the agency to explore more.

{Tape: 2; Side: A; Approx. Time Counter: 21 - 30}

Mr. DeWitt discussed fund-balance differences, the General Services Program (Page A-192), and it's projected revenue. **Administrator, Marvin Eicholtz**, introduced and explained DP 611-use of capital land grant, and 612-transfer and fund FTE in fueling program (Page 195). **Mr. DeWitt** mentioned the issue raised by the LFD on DP 612. **Mr. Eicholtz** commented on why the DOA thinks it is the right way to go and answered committee members' related questions.

{Tape: 2; Side: B; Approx. Time Counter: 2 - 12}

Marvin Eicholtz and **REP. SINRUD** discussed the budgeting for the statewide fueling network program, which is voluntary, and the price of gasoline. **Mr. DeWitt** and **SEN. BARKUS** addressed what the committee would be considering doing in relation. **Mr. Eicholtz** presented DP 614-FTE for Peoplesoft procurement module position. He then answered a series of questions concerning integrated accounting systems from **REP. SINRUD**.

{Tape: 2; Side: B; Approx. Time Counter: 12 - 18.5}

SEN. BARKUS asked **Mr. Eicholtz** how many employees are in his division. **Mr. Eicholtz** answered that he has 94 FTE broken into bureaus with 12 vacancies. **SEN. LAIBLE** wanted to know if the intention of the Peoplesoft position would be one-time-only or ongoing. **Mr. Eicholtz** explained that it would most likely be a continual situation due to the way software works. **Brian Wolf, ITSD Manager**, further commented on the business use and management of that software, and what the needs are. He also gave his perspective of the requested position's accounting functionality.

{Tape: 2; Side: B; Approx. Time Counter: 18.5 - 32}

Greg DeWitt, LFD, let the committee know that at this point they will be moving into the business environment portion of the General Services Division (GSD), beginning on Page A-195 of the Budget Analysis book. He explained their operations, starting with the Facilities Management Bureau (Page A-196). **SEN. COONEY** clarified the LFD issue on contract costs for maintenance and asked **Mr. Eicholtz** his thoughts on that. **Mr. Eicholtz** replied

that they have been contracting out for janitorial services for the past six years, and the DOA has found it to be cheaper. He added at the prompt of SEN. COONEY, that they are satisfied with the service.

REP. SINRUD and **Sue Campbell, GSD Accountant**, discussed the process of hiring a contractor. **SEN. COONEY** asked how many varying contracts the GSD has. **Sue Campbell** answered eleven. **Mr. DeWitt** spoke on mail services and the DOA requests in this area (Reference Page A-201). **Mr. Eicholtz** provided rate clarification and talked about their function.

{Tape: 3; Side: A; Approx. Time Counter: 1 - 7}

Mr. Eicholtz continued speaking on the mail service control mechanism that works for them. **Mr. DeWitt** made comments on how the program was previously dealt with before there was a law change and the alternatives. He explained the 60-day working capital operating parameter, and he spoke on the LFD's stance to not approving it as the rate, as it provides no legislative control. **Amy Sassano, OBPP**, commented that there is a control with the customers having to pay the fees out of their budget, and this argument satisfies the budget office. **Mr. Eicholtz** spoke on business estimates as demand is down; therefore, they have decisions to make. He stated that, "As long as the actual rates charged are less than those found in the private sector and their fund balance isn't too high, then managing the 60-day working capital is sufficient for their operations."

{Tape: 3; Side: A; Approx. Time Counter: 7 - 24}

Mr. DeWitt referred to the LFD issue on Page A-205 of the Budget Analysis book as they moved into the Print Services Section (Reference Pages A-203-208) of GSD. He explained the requests within three categories of service: external printing, internal printing, and the photocopy pool. **SEN. COONEY** clarified that the rate issue is the same as in previous discussion. **Mr. DeWitt** commented that they will see that where working capital as a rate is concerned.

SEN. LAIBLE, Mr. Eicholtz, and Mr. DeWitt discussed Page A-202 (unexpected equipment expenses risk) and how it pertains to GSD. **REP. SINRUD** wanted to know if the 60-day working capital is due to agencies not paying their bills on time, and if so, what can they do about it by law? **Mr. DeWitt** commented that 60 days is deemed to be the reasonable number with regard to billing and operating cycles. He said an accountant could explain their

reasoning more. **REP. SINRUD** brought up the subject of a 45-day working capital versus 60 days, and he asked if the DOA wanted to respond to his commentary. **Mr. Eicholtz** replied that the 60-day as a general rule gives the division just enough flexibility to operate, in which he gave examples. He did say agencies generally pay the bills on time, yet there were exceptions surrounding the SABHRS switch. He relayed that his operations find they basically need 50-55 days to operate.

SEN. COONEY asked what the division will do if they do not have the money. **Mr. Eicholtz** replied that they have to borrow from the General Fund, which is another step. **Cathi Muri** commented that though not usually a problem, now the General Fund is short on cash. She also let **REP. SINRUD** know that the money he asked about previously is invested in the General Fund so it earns interest. **SEN. LAIBLE** made comments about using the working-capital guideline as an indicator of volume. **Mr. Eicholtz** agreed and gave an example of this in regard to readjusting the central stores operation (Reference Page A-208-209). **SEN. LAIBLE** asked how often they adjust rates. **Mr. Eicholtz** answered that they look at them monthly and change in accordance quarterly.

{Tape: 3; Side: A; Approx. Time Counter: 24 - 30}

Mr. DeWitt discussed the Central Stores Program and related LFD issue on Page A-209. He referred to Page A-210 and provided a suggestion. **SEN. LAIBLE** suggested to **Mr. Eicholtz** negotiating supply discounts and maybe getting out of the distribution business. **Mr. Eicholtz** outlined comparing and contrasting out-of-state cities and rural areas contracts with the intent of saving Montana money. He said they are often looking at options and need. **Director Darkenwald** spoke in agreement.

{Tape: 3; Side: B; Approx. Time Counter: 2 - 6}

Director Darkenwald, **SEN. LAIBLE**, and **Mr. Eicholtz** continued a discussion on the status and functionality of the Central Stores Program.

{Tape: 3; Side: B; Approx. Time Counter: 6 - 16}

Greg DeWitt, **LFD**, referred the committee to Pages A-211-213 for the review of the Statewide Fueling Network Program, and he informed them how approving the rates would work. He and **Mr. Eicholtz** explained the Surplus Property Program (Page A-215) that the state is in by law. There is also a federal part that

they are shutting down. **CHAIRMAN BRUEGGEMAN** commented on surplus disposal. **Mr. DeWitt, Mr. Eicholtz, SEN. LAIBLE, and SEN. COONEY** discussed how this is dealt with.

{Tape: 3; Side: B; Approx. Time Counter: 16 - 22}

REP. SINRUD questioned Mr. Eicholtz about the deficit operating numbers on Page A-216 of the Budget Analysis book. **Mr. Eicholtz** replied that the accuracy of the 2004-05 estimation is not to be relied on. He stated that right now the State Surplus Property program is run at a deficit but that will change. He and **REP. SINRUD** discussed the operation, state auctions, and accountability for items. **SEN. LAIBLE** asked about the mechanics of recovering property and finding a home for it, in which **Mr. Eicholtz** detailed. **SEN. COONEY** spoke on the value of recycling.

{Tape: 3; Side: B; Approx. Time Counter: 22 - 32}

CHAIRMAN BRUEGGEMAN stated that they would be skipping over ITSD for now. **Mr. DeWitt** went over the Banking and Financial Division (Pages A-225-228), and his issues regarding growth and DP 1402 that were discussed during the overview.

CHAIRMAN BRUEGGEMAN directed the attention to Page A-230 and asked if there were any questions on the Montana State Lottery DPs. **SEN. LAIBLE** questioned Powerball revenue as a percentage of profit and the possible expansion. **Jerry LaChere, Lottery Director**, approximated that 2/3 of their profits are from the Powerball game, and he talked about keeping up awareness with the jackpot programs and television news broadcasts.

REP. LINDEEN asked **Mr. LaChere** to talk specifically about what the televised game show they are proposing to do. He explained that it would be a chance for Montanans to go on T.V. to win prizes, and participate at home as well. They are trying to work out who would carry the program, but it is to be broadcast in Las Vegas. In conclusion, **Mr. LaChere** explained vendor fees to **SEN. LAIBLE**.

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ADJOURNMENT

Adjournment: 11:30 A.M.

REP. JOHN BRUEGGEMAN, Chairman

MISTY SHEA, Secretary

JB/MS

EXHIBIT (jgh11aad)